App.F.IX-4]

*Previous References.* 1925-16. ( G. F. ) File No. G. F 191-15

Serial Nos. 1, 2,

*Later references.*

# GENERAL & REVENUE SECRETARIAT

*Serial Nos.* 2.

**Part B for** Jan 1 1926.

SUBJECT

Forwards for favour of action, Copies of the notes drawn up by Messrs H. V. Krishna Rao and T. Lakshmi-narasimha Rao on the method of financing future Railway Construction in the State.

AP
8/1.

G. R. S. 11] 1915.

GENERAL AND REVENUE SECRETARIAT.

( G.7 )

NOTES.

File No. 19[illegible]-15

FILE HEADING.

Financing of future Railway Construction in the State.

From

The Offg: Secretary to Govt for Railways

No. 2364 Dated 24/25-2-16 Received 29-2-16

| Diary No. 2490 | Enclos. 2 Spare Copies. | Serial No. 1 |
|---|---|---|

BRIEF ABSTRACT OF LETTER.

Forwards, for such action as is deemed fit, copies of the notes drawn up by Messrs M. N. Krishna Rao & T. Lakshmi-Narasimha Rao on the method of financing future Railway construction in the State.

NOTES AND ORDERS.

7-91-15

Submitted for orders. The file re Proceedings of the fifth meeting of the Ry Conference, in which the question was considered, was submitted to the Financial Secretary on 29-2-16.

ASP 1413 2. These two notes have been sent

NOTES—First Sheet.

GPB—20,000—8-8-14

Serial No.

up to Govt for such action as they may deem necessary. It is not exactly clear what specific action is to be taken as the particular line or lines which are ripe for Construction & the order in which lines are to be taken up have not been mentioned - ~~Whenever~~ It is only when Surveys & Project Estimates are completed and Construction work is about to be undertaken that the question of providing money will have to be seriously taken up and the sources noted below ~~have to be~~ may it appears to be always counted upon for future construction.

1- Proceeds of Railway Cess levied in the Revenue Districts. These Districts have already levied the Cess & it appears to be desirable to ask the DC's of other districts also to take steps to similarly levy Cess in their respective areas. ~~as~~

2. About 3 or 4 lakhs may be got from Deposit funds every year.

3. After setting aside the amount required for Open line Capital Exp$^{re}$; Govt may deliberately budget for a surplus of not less than 10 lakhs every year - this amount being required to be kept apart for

NOTE—Contn. sheet.

GPB -73,000—17-12-15

G. R. S. 12]

General and Revenue Secretariat. | G.7 File No. 191 of 1915.

Serial No.

Railway Construction. With the advantageous revenues from the Gold Mines & the C.P. Scheme amounting nearly to 30 lakhs, it should not be difficult to set apart this amount from such revenues every year for R^y Construction. This method of utilising these revenues is also more in accordance with the principles of public finance.

3. As most of the lines to be Constructed hereafter are not likely to be of productive character — in the technical sense, it would not be correct to borrow funds for their Construction. ~~*~~ From the figures indicated above a sum of over 160 lakhs will be available for R^y Construction every year & this amount will suffice to keep together one Construction & one Survey Division & may give us about 40 or 45 miles of new railway year — a rate of progress which may be considered very ~~to~~ satisfactory. As compared with the rate of progress in ~~the~~ India as a whole which is about 600 hundred miles a year.

4. We may therefore always aim

NOTE—Contn. sheet.

GPB -70,000—17-12-15

G. R. S. 12]

General and Revenue Secretariat. | G.7 File No. 191 of 1915.

Serial No.

at Keeping one Surveyor & one Construction Division working and inform Rly Secrett that ~~F.D. Comm~~ Financial Deptt can find funds for such an establishment -

Rly. 20/3/16

Hsecy

Please put up an analysis in a tabular form, of the sources indicated in the two notes with the amounts expected in each case. Thus:

| Name of source | Mr. M.N.K. | Mr. L. Rao. | Mr. Shamanna |
|---|---|---|---|
| (1) Budget Surplus. Due earmarked for Rly Extension | 8 lakhs (Nett Rly revenues) (out of this 3 lakhs for Open line works) | 6 lakhs (8 lakhs taken by Mr. Mill for nett Rly revenue is too sanguine out of this 4 lakhs for Open line Capital works. nil. | 10 lakhs. after meeting Open line Capital Exp. |
| (2) Fresh deposit funds | 6 lakhs. | | 3 or 4 lakhs. |
| (3) Public borrowing at 4½% interest | 10 lakhs. | nil. | nil, as lines will be non productive |
| (4) Railway Cess. | 4 lakhs. (maximum rate 6 pies. but some Districts may levy lower than maximum rate) | 10 lakhs (by levying one anna cess throughout) | 3 or 4 lakhs. amount not specified |
| (5) Balance to be made good by Govt | | 8 lakhs. | |
| Total annual amount | 25 lakhs for Rly Extension. | 20 lakhs for Rly Extn & for 15 years. | not less than 16 or 17 lakhs for Rly Extension |

NOTE—Contn. sheet.

Hsecy

25/3

GPB—70,000—17-12-15

G. R. S. 12]

General and Revenue Secretariat. | G.7 File No. 191 of 1915

Serial No.

6 Do not Ry Finance come in the development subjects? If so link this file to that.

M
31/3

7 Submitted. Yes. The other file referred to is herewith put up.

ASO 26/4 Pl see).

Hg
28.4.16

8 I think the main outlines of our Railway construction finance will have to be

(a) Trunk lines – metre gauge – which are expected after due enquiry to pay at least 5% immediately or within 10 years may be constructed from borrowed funds – The terms of borrowing will depend on the state of the market but borrowing for a long term at a rate of interest exceeding 4½% will not be resorted to –

(b) Feeder lines – Out of a railway cess or from borrowed funds raised on the security of the cess.

(c) Every endeavour should be made to save a part of the mining & Electric revenue and invest it in Trunk lines which do not come under (a) – but which may ultimately become remunerative or serve some important economic schemes – M/ Hg

What is to be done now. Is a draft letter enumerating the points to be put up?

NOTE—Contn. sheet.

GPB—70,000—17-12-15

(6

R. S. 12]

General and Revenue Secretariat.

G.7 File No. 191 of 1915.

Serial No.

9

This is a proper subject for the Finance Committee to consider - The notes may be submitted to the Dewan Sahib for perusal and the papers may then be transferred to the Finance Committee - After the Committee has considered the matter the policy of Govt may be laid down in a confidential resolution.

Dewan

18/5

10 I shall be glad if the Finance Committee will kindly consider the proposals and send up their recommendations if possible before 31st Augt. -

29.7.16.

FC Secy)

Secy Fin. Committee

for early action

31/7

Mr N. de Rau)

Circulated to members of the Finance Committee for favour of recording their opinion as to whether recommendations may be made to Govt on the lines indicated in my note of 18.5.16 above.

6215
19-5-16

NOTE—Contn. sheet.

GPB—20,000—30-6-15.

G. R. S. 12]

General and Revenue Secretariat. | 87 File No. 191 of 1915.

Serial No.

The 1st Member may kindly note his views within one week & pencilled and transfer the file to the Second Member. The Second member may kindly send back the file to me, within a week ~~pencilled~~ from the day of receipt with his remarks if convenient.

To the three recommendations in my note of 18.5.16 may be added

(d) A steady outlay of 20 lakhs a year on new lines should be aimed at for the next ten years to come, rather than large outlays in some years and little or none in other years. This will secure economy in ordinary cases. Of course when a definite connection will be effected or object gained by fast construction an exception can be made.

(e) Every encouragement should be given to local bodies & to local private syndicates or companies wishing to promote light railways within the State the terms of the order of 22.4.1914 being suitably modified if necessary with reference to the conditions of the money market for the time being.

M

24/8/16

8

D.T.

NOTE—Contn. sheet.

GPB—70,000—17-12-15

(8

G. R. S. 12]

General and Revenue Secretariat. | 87 File No. 191 of 1915.

| Serial No. | |
|---|---|
| 26.8 / 25.8 | This letter indicates that certain changes in connection with my tentative proposals of the Secy. & the members. I consider should now note upon these proposals — at this stage. — WJ 26.8. |
| 2057 / 28.8.16 | To 2nd Member for noting if any additional points or modifications of the proposals (a) to (e) occur to him. The matter will thereafter be brought up for discussion at a meeting. M 28/8 |
| | May be brought up before the H. Council. 29/8/16 |
| | (1st Member President) M 30/8 |
| | This will be included among the subjects for discussion at the Board to be held next week. 25/9 WLS |
| 105 / 27.9.16 (for Committee) | |

NOTE—Contn. sheet

GPB—70.000—17-12-15

9

G. R. S. 12]

General and Revenue Secretariat. | File No. | of 191 .

Serial No.

vide copy placed below M/

740/23.11

Received back by Sir H on 25.11.16 for A.S.S. Secy's report and. recd back on 28.11.16 ASS

A copy of the F. C's resolution ~~decided~~ may be sent to the F. D. for necessary action if he does agree.

M
29/11

President & 1st Member

29/11

cell

F. C. clerk

M
29/11

A copy of the resolution was sent to the general secretary for necessary action (vide this office letter no F.C.M dated 23-11-1916) Action ~~on the discussion~~ as indicated in para 1 of the resolution will have to be taken on receipt of approved programmes of Rly construction work

"Await receipt of programmes"

NOTE—Contn. sheet

GPE—70,000—17-12-15

WD 1233—GPB—60,000—1-12-16—S.

10

G. R. S. III-2]

General and Revenue Secretariat. | File No. | of 191

Serial No.

Now that Govt have approved of a programme of Railway construction work (vide g.o no Rs 3425-3430 dated 15-5-17) further action in the lines indicated in para 1 of the resolution may if necessary be taken by the Fin Branch

R77.4216-17

NOTE—Contn. sheet.

Extract from the proceedings of the meeting of the Finance Committee held on 11th November 1916 1/1

SUBJECT

Method of Financing Future Railway Construction Work.

Opinion of the Committee.

That it is considered necessary to have a programme of railway construction work arranged in order of importance and urgency. After such a programme is laid down the question of financing the schemes in accordance with the general principles enunciated by the Financial ~~xxx~~ Secretary in the file and hereon laid down may be considered:-

(a ) Trunk lines - metre guage- which are expected after due enquiry to pay at least 5% immediately or within 10 years may be constructed from borrowed funds. The terms of borrowing will depend on the state of the market but borrowing for a long term at a rate of interest exceeding 4½% will not be resorted to.

(b) Feeder Lines - Out of a railway cess or from borrowed funds raised on the security of the cess.

(c) Every endevour should be made to save a part of the Mining and ~~Electrical~~ Power revenue and invest it in trunk lines which do not come under (a) but which may ~~ultimately~~ be expected to prove remunerative in course of or serve some important economic ~~schemes~~ object.

(d) A steady outlay of 20 lakhs a year on new lines should be aimed at for the next ten years to come rather than large outlays in some years and little or none in other years. This will secure economy in ordinary cases. When a definite connection will be effected or object gained by fast construction an exception may be made.

P. 1557

(e ) Every encouragement should be given to local bodies and to local private syndicates or companies wishing to promote light railways within the state the terms of the order of 22-4-1914 ( Fl. 4932-31/G.F. 163-13-1) being suitably modified if necessary

necessary with reference to the conditions of the money market for the time being.

The President ~~and the Secretary~~ agreed to the resolution in full; the member (Mr.A.R.Banerji) thought that he would like to consider clauses (c) +@1 further before accepting ~~them~~ and he was not in favour of laying down a rigid policy of expenditure without any regard to other circumstances.

"E x t r a c t "

Secretary, Finance Committee.

T/19/2 Pr

2290

No. 2364 (Secy)

MYSORE STATE RAILWAYS,

Central Office,

Bangalore, 24th February 1916.

From

Rao Bahadur K. Krishnaiengar, Esq., B.A., L.C.E,
Offg. Secretary to the Government of Mysore
for Railways.

To

Rajamantrapravina Dewan Bahadur
J. S. Chakravarti, Esq., M.A., F.R.A.S.,
Financial Secretary to the Govt. of Mysore.

Sir,

In continuation of this office letter No.3241 dated 14th/15th February 1916 forwarding a copy of the Proceedings of the fifth meeting of the Railway Committee held on the 7th idem, I have the honour to forward herewith, for favour of such action as you deem fit to take, copies of the notes drawn up by Messrs. M. N. Krishna Rao and T. Lakshminarasimha Rao on the method of financing future Railway construction in the State.

I have the honour to be,

Sir,

Your most obedient servant,

K. Krishnaiengar

Offg.Secretary for Railways,
Government of Mysore.

## provision of funds for Railway Capital Expenditure.

--oOo--

It has been recognised that Mysore is not at present provided with adequate Railway communication and that the construction of many new lines is necessary for the material development of the country. Practical action for supplying this want was begun in 1912-1913 and the amount spent on construction in the last three years was as follows:-

| | Rs. |
|---|---|
| 1912-13 | 35,000 |
| 1913-14 | 14,84,000 |
| 1914-15 | 50,74,000 |

This expenditure was met from (1) the accumulated Revenue surpluses of Government (2) the Deposit Funds in the possession of Government and (3) the funds raised by the Bangalore-Chikballa-pur Light Railway Company and the Kolar District Board. All these sources have practically been exhausted and the provision of funds for further outlay on construction is a question that calls for early consideration.

2. The financing of new constructions since 1912-13 has depended on the accident of the existence of accumulated funds and on the insignficant contributions made by one District Board and one Joint Stock Company. A systematic attempt to increase the Railway miles of the country cannot succeed if the

sources of supply of funds and the extent of contribution of each source, are uncertain. The annual allotment of funds for Railway Capital expenditure should be definite, if a programme of construction of new lines and improvemen of old lines should be drawn up and work -ed out.

3. The State Railway Construction Department was formed in June 1912 and most of the initial difficulties of organising a new Department have been overcome. The Department is now in com plete working order, the agency for - - execution of Railway projects has been trained and labour has also been collect -ed. Unless arrangements are made for ensuring a uniform supply of funds - - annually, the activities of the Depart- -ment will have to be contracted and the result will be insufficient return for the trouble and expense of organising the Department and also arresting the progress of Railway development. The policy of building Railways having been revived, it should be steadily pursued until all the requirements of the country- commercial and otherwise-- are met. Sustained activity based on a regulated supply of funds is necessary for - - economical construction and continuous progress.

4. The sources available for financing Capital Outlay on Railways are

the following:-

1. Annual Revenue Surpluses

ii Deposit funds.

iii Public Loans raised by Government.

iv Railway Cess collected by District Boards.

v Loans raised by District Boards.

and vi Capital raised by Joint Stock Companies.

5. Annual Revenue Surpluses.

The provision of, at least, a part of the funds required for Capital Out-lay on productive works, from the Revenue surpluses to be secured in fram-ing the annual budgets is a measure which has much to be recommend it, in the condition of our finances, although the arrangement may be considered to be open to objection, purely from a theoretical point of view. Taking, however, the present standards of revenue and expen-diture and the ever growing demands of a progressive administration, it is not possible to count on any general annual budget surplus, available for Capital outlay on Railways. There is, however one part of the budget, on the net annual Revenue of which the demands of Railway Capital expenditure may be considered to have a claim. This part is the Railway Revenue Account. We have a large - - number of Railways to construct and the means of open to us for financing them are limited. In such circumstances, a proposal to make the net Railway Revenue

available for Railway Capital expenditure deserves consideration. The Capital expenditure of the old open Lines worked by the Madras and Southern Mahratta Railway Company is now being met from Revenue In considering the annual programme of Railway Capital expenditure, the requirements of both the old and new lines have to be taken into account and the total net Railway Revenue may therefore be allowed to be treated as the first resource for financing Railway Capital outlay, of which the expenditure on account of the old Open Lines will form a part. The object of the proposal made in this para is that every year an amount at least equivalent to the net Revenue from Railways may be secured as a surplu in framing the annual budgets and made available for meeting the Capital demand of the Railway Department. It is not likely that there will be years in which the net result of the Railway Revenue account will be a charge and should such a result ever occur, the net charge will be comparatively small and has to be met from the general and Revenue accounts. The proposal for allotting annually the net Railway Revenue for Railway Capital expenditure may not therefore be viewed unfavourably, on the ground of the rare contingency of there being a net charge of the Railway Revenue account, in any year.

The net Revenue from Railways,

after meeting the interest charge on the Railway Sterling Loan, during the four years ending with 1914-15 was as follows:-

| | | Rs. |
|---|---|---|
| 1911-1912 | ... | 6,16,000 |
| 1912-1913 | ... | 9,47,000 |
| 1913-1914 | ... | 8,86,000 |
| 1914-1915 | ... | 7,86,000 |

We may expect that a sum of 8 lakhs will be available from source No.:i referred to in para 4. So far as new constructions are concerned, the amount obtained from this source will be only 5 lakhs, as the balance of 3 lakhs is required for old lines open Capital works.

6. Deposit Funds.

The deposit funds are the second resource and they are the following:- Insurance Fund, Cauvery Power Depreciation Fund, Savings Bank Deposits, and other Deposits. The annual net receipts of these funds and the shares of such receipts which can be considered as available for Capital expenditure on productive works are noted below:-

| | Year | Net Receipts. |
|---|---|---|
| Insurance Fund | 1910-11 | 1,75,000 |
| | 1911-12 | 2,28,000 |
| | 1912-13 | 2,46,000 |
| | 1913-14 | 2,76,000 |
| | 1914-15 | 3,18,000 |

The annual addition may be taken at 3 lakhs and 75 percent of this amount is 2¼ lakhs.

7

Cauvery power
Depreciation fund

| | |
|---|---|
| 1910-11 | 2,84,000 |
| 1911-12 | 2,86,000 |
| 1912-13 | 2,88,000 |
| 1913-14 | 2,91,000 |
| 1914-15 | 2,70,000 |

The annual addition may be taken at 2½ lakhs and 50 per cent of this amount is 1¼ lakhs.

Savings Bank
Deposits.

| | |
|---|---|
| 1910-11 | 71,000 |
| 1911-12 | 5,32,000 |
| 1912-13 | 4,06,000 |
| 1913-14 | 20,000 |
| 1914-15 | 8,31,000 |

The large net withdrwal in 1914-1915 was no doubt abnormal due to the war, but the figures of other years show that the net results of this depo-sit are uncertain and that it is not possible to form any reliable estimate of the help to be derived from this fund.

Other Deposits

| | |
|---|---|
| 1910-11 | -6,000 |
| 1911-12 | 7,37,000 |
| 1912-13 | 6,20,000 |
| 1913-14 | 2,73,000 |
| 1914-15 | 7,67,000 |

The average annual addition may be taken at 6 lakhs and 25 percent of this amount is 1¼ lakhs.

Total ... 5 lakhs.

The State Insurance has recently been opened to the public and the State General Provident Fund has been newly formed. The Railway Provident Fund will also be started shortly. It is

It is not now possible to say what con-
-tributions these funds may be able to
furnish for financing Capital expenditure
Making a cautious estimate, we may expect
about a lakh will be available from these
funds. Altogether, we may anticipate ~~about~~
about 6 lakhs from the deposit funds com-
-ing into the Treasury annually.

7 iv. Railway Cess collections by District Boards.

This Cess have so far been authorised to be levied in three Districts, -- Kolar, Tumkur and Chitaldrug and the collection has commenced only in one District Kolar. The maximum rate leviable is 6 pies in the Rupee but lower rates may be imposed in some Districts; in Tumkur, for instance the rate authorised is 3 pies per Rupee. Supposing that this cess is collected in all the Districts and assuming that some of the Boards agree to the imposition of only a lower rate than the maximum, the total annual contribution from this source cannot be taken at more than 4 lakhs.

8. v. Loans raised by District Boards and vi. Share Capital of joint Stock Companies.

There has, so far, been no response to the invitation (Vide Notification dated the 22nd April 1914) to District Boards and companies to raise Capital, for the construction of feeder railways. Even

in British India, the Branch Line terms have not induced Capitalists to invest their money in the construction of feeder lines. There is no likelihood of any funds being raised by the District Boards and Companies and these two sources have to be taken as being practically of no assistance in the construction of railway. More favourable terms than those offered in Government Notification No.Fl.4932-81 G.F.163-13-1 dated the 22nd April 1914, are apparently necessary to attract - - capitalists and if money can be raised at all in the open market, it will be cheaper for Government to borrow directly than to guarantee interest at attractive rates on loans to be floated by District Boards and Companies.

9. vi. Public loans raised by Government

The total amount expected from the sources noted above, may be taken at 18 lakhs. Of this, a sum of about 3 lakhs is required for the Capital Works of old open lines and the balance is available for new constructions. Supposing, that a sum of 25 lakhs is annually made avail-able for new railways and that 2/3rd of the amount is spent on metre gauge lines and 1/3rd on narrow gauge lines, an increase of some 40 miles every year may be expected. An addition of 40 miles annually is a fairly satisfactory rate of progress and this arrangement may be continued until all the requirements of railway develop-ment are satisfied. To secure this rate

60

of progress, 10 lakhs have to be raised annually by public borrowing. The capacity of the money market to furnish annually this amount for some years consecutively can be ascertained only after the response to invitations for subscribing to the loans of two or three years is ascertained. A sum of 10 lakhs is not large and it will not be difficult to raise it every year. If funds are required for productive irrigation works, public borrowing is the only resource open and the amount required for this purpose will have to be added to the demand of each year if the money market is capable of meeting the demand. The last Government of India loan for productive public works bears interest at 4 per cent and half a percent in addition may be allowed on the loans proposed to be raised by us. In view of this rate (4½ percent) to be paid by Government, the lines selected for construction should be capable of paying at least 5 per cent. Half a per cent more than the rate at which the loan carries interest is not an excessive provision, for all the uncertain elements in calculations of traffic prospects and other factors.

10. The selection of new projects and their execution as expeditiously and economically as possible involves the anticipation of future resources and it is therefore necessary to have a minimum annual standard of expenditure for regular

regulating the normal activities of the Railway Construction Department. Otherwise, there will be commitments to new and expensive schemes on a large scale without adequate means to finance them in future years and the consequent risk of contraction of the operations of the Department with all the attendant inconveniences and losses and also the prolongation of the period when capital remains unproductive. Accordingly, the amounts expected from the sources noted above have been taken at the minium of which it is safe to count. If more funds can be found in any year or years from any of the six sources, the programme of construction can be expanded. Such additional supply will be a temporary provision and an uncertain factor. For railway development we have to rely on a steady addition however small, to mileag which can be made year after year out of assured minimum provision of funds. Extraordinary circumstances may, of cours necessitate a reduction of even the minimum provision and on such abnormal occasions, the Railway Department along with others, has to submit to any restriction of its programme which financial exigencies may require.

11. The Capital requirements of ne open lines have also to be provided for but not forecast of the net revenue which these lines may yield or of their capital demands can now be made.

The net Revenue of these lines, has, under the proposal made in para 5 above, to be added to the funds for railway capital expenditure and the demands of open Capital works of these lines will also be a charge on the total of such funds. On the funds available - annually the first charge will be the outlay on Open Line Capital Works. It is however, necessary to limit this out-lay to the absolutely necessary minimum as some parts of the country are still unprovided with railways and the construction of new lines should be considered as more important than improving the service of railways already opened. The claims of projects the execution of - - which is already in progress have, of course, to be given perference next and the balance, if any, left used for new lines to be taken up each year.

12. The proposals made above assume that the number of new railways capable of yielding 5 per cent on Capital investment on them is sufficiently large to justify a programme of construction for a number of years and to require a definite arrangement for a uniform supply of fund for financing them. The difficulties now felt in obtaining railway materials are temporary and may be expected to disappear with the cessation of the war. With a fully organised Railway Construction Department and with many unsatisfied demands for more railway lines in the interests of trade and of the - -

general progress of the country it is necessary to lay down a definite proce--dure for the ways and means of adding to railway mileage to the desired extent.

13. The Railway Department requires to be given an idea of the funds on which it can count each year. So far as the minimum standard of expenditure, referred to in para 10 above, is concerned, the Railway Department should always count on it as an assured provision and any uncertainty will be only in respect of additional funds that can be spared for Railway Construction expenditure in any year. About three months before the beginning of each official year the Finance Department may furnish the Railway Department with an estimate of the amount that can be made available from all sources for capital expenditure on Railway during the year. With this information the Railway Department can drawn up its scheme of expenditure and have it sanction-ed in time as the programme for execu--tion each year.

14. The following is a summary of the proposals made above.

(1) The enunciation of a policy for provision of funds for financing rail--way Capital expenditure is necessary. The minimum standard of annual expen-diture may be fixed.

(2) In framing the annual

budgets an amount at least equivalent to the net income from the railway revenue account, estimated at 8 lakhs-- may be secured as a surplus for railway Capital expenditure.

(3) The portions of annual net addition to Deposit Funds that can be spared-- estimated at 6 lakhs-- may be set aside for railway Capital expenditure and the annual Ways and Means estimate may be framed accordingly.

(4) The system of public borrowing for railway Capital expenditure may be introduced and a sum of 10 lakhs may be raised at 4½ per cent annually from this source.

(5) The Finance Department may intimate to the Railway Department three months beofre the commencement of a year the funds, if any, in excess of the minimum standard that can be spared from all sources during the year for railway Capital expenditure and the Railway Department may draw up its programme of outlay on such intimation and have it sanctioned in time.

(6) The Railway Department may be required to select for execution only such lines as are proved to be capable of yielding 5 per cent on Capital.

(7) Out of the funds available for Railway Capital expenditure, the demand on account of the absolutely necessary Open

15

Open Line Capital works may first be met. The claims of new constructions already in progress should next be met to the full extent that funds can be spared and spent economically by the Department. The balance left after meeting these two requirements may be allowed to be used for new lines to be taken up.

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Sd/- M. N. Krishna Rao.

13-12-1915.

25.2.16.

Under Secretary's Remarks

on the note on the ~~mentioned~~ method of financing future Railway Construction in the State by Mr. M.N. Krishna Rao, Deputy Comptroller. ----

Mr. Krishna Rao has prepared a note suggesting the mode of finding funds for future Railway Construction; now that the accumulated surplus is all - - spent and the Railway lines to be constructed within the State can by no means be said to have been fully met with by the finishing of the projects now on hand.

In a note that I submitted for the consideration of the Committee at its third sitting, I proposed a system of over 1,600 miles of lines that may be taken as the limit of Railway Construction and that the outlay involved was over Rs.2 crores.

Mr. Krishna Rao in a well considered note lays down that deposit funds cannot safely be diverted for building Railways except to a very limited extent and that the State should have a programme of annual borrowing, perhaps analogous to the system obtaining in the Government of India, and that this should be supplemented by the Railway earnings and Railway local cess.

Mr. Krishna Rao's estimate of Rs.8 lakhs as the net railway earnings

is perhaps a bit sanguine but it may safely be taken at Rs.6 lakhs. Of this, the amount required for further capital expenditure on the existing lines should first be met and this may be taken at Rs.4 lakhs. The Company every year send up a programme costing on an averag Rs.6 lakhs and the Government of India Inspecting Officers are not satisfied with the standard maintained by our line and it will be quite necessary to give more money than Rs.3 lakhs proposed by Mr. Krishna Rao. If more money is earn--ed, the existing line has a first claim to have its requirements first met wholl and we will not be safe to expect more than Rs.2 lakhs as available from this source. Perhaps with extensive re-alignments on the Mysore-Bangalore -- Section and an accelerated programme of rail renewals and other signal arrange--ments, the whole of the Railway earnings for some time, to come may just meet the require--ments of the main line itself.

The Railway cess is now levied in three Districts, viz., Chitaldrug, Tumkur and Kolar and at half an anna in the rupee. The revenue derived by this is insignificant. If on the other hand, Government levied an uniform cess of one anna in the Rupee in every Dist-trict on all items now leviable with local cess, the annual receipts would be Rs.10 lakhs.

Tumkur. 3 pies in the Rupee

An annual borrowing may not be

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feasible for two reasons. The Govern-
-ment of India may not permit annual
borrowings as it would clash with their
financial proceedings or we will certain
-ly have to offer a higher rate of - -
interest, if our loan is to be success-
-fully floated in competition with thiers
and secondhan annual floatation may not al-
-ways be a success. However, when money
is urgently required for accelerating the
completion of a project there would be
no harm in resorting to this method and
with an interest rate of 5 per cent, it
would be easy to get the required amount
taken up. It would however not be con-
sidered as one of the means for provid-
ing a certain fixed amount for Railway
construction annually. Much cannot be
expected from the deposit funds in the
hands of Government. They are not as-
certained savings not likely to be called
out, but general balances of funds and
though it is sure that a portion of it
is as good as fixed deposit for a long
term, it would be undesirable to utilise
them for constructing Railways which are
mostly protective in character.

It will thus be seen that it can
safely be assumed that with a general
levy of an one anna cess, the State will
have Rs.12 lakhs annually to spend on
fresh construction after meeting the
requirements for further Capital expen-
-diture on existing lines. The new
lines built also require further Capital

15.

expenditure and if their Revenue Account does not show any surplus this amount as well as interest on loan raised will have to be met from this sum of Rs.12 lakhs and this may roughly be set down as Rs.2 lakhs at present.

Taking a metre gauge line of ordinary standard at Rs.35,000 per mile, a thousand miles of Railway would cost Rs.3½ crores and if this be distributed over a period of 15 years the annual allotment would be Rs.23 lakhs. Against this we have only Rs.10 lakhs. The balance should therefore come as a State grant. The public Works budget may be reduced by this amount and Rs.10 lakhs transferred to Railway Construction. As most of the Railways in Mysore that will hereafter be taken up will be more or le protective rather than productive, there is no objection in principle to Govern-ment building them out of current Reven

Put a practical suggestion.

It is therefore suggested by way of an alternative to Mr. Krishna Rao's note that a uniform cess of one anna in the rupee be levied in all the District of the State and the receipts kept earmarked for Railway Construction. As direct taxation by the State would require the sanction of the Government of India, difficulties may arise and it is here that the District Boards come in handy as the agency to levy the cess and make the proceeds over to Government f Railway construction purposes. If in

addition a District Board can raise loans from the public for a given line of - - Railway the construction is accelerated. That the balance of Railway earnings - - after making allowance for further - - Capital expenditure on open lines be also ear-marked for Railway Construction and thirdly that the State contribute - - - annually a sum enough to make a total of Rs.20 lakhs available for expenditure for the construction for at least a term of 15 years. This system will prevent any interest having to be paid to any body and so after the entire Railway programme is finished, the State contribution and the local cess may all cease. If borrowing is resorted to, interest will have to be paid and Sinking Funds formed for liquidating the loan at the time of - - maturity. All this trouble will be saved by the method mentioned above.

This note will be circulated, if approved, to the members of the Committee along with Mr. Krishna Rao's note and the subject brought up at the next meeting of the Committee.

Sd/- T. Lakshminarasimha Rao,

Offg.Under Secretary for Rys,
Government of Mysore.

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" C o p y "

25.2.16

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No.2630

MYSORE STATE RAILWAYS,
Central Office,
Bangalore, 28th March 1916.

From

Rao Bahadur K. Krishnaiengar, Esq., B.A., L.C.E.,
Offg. Secretary to the Government of Mysore
for Railways.

To

Rajamantrapravina Dewan Bahadur
J.S. Chakravarti, Esq., M.A., F.R.A.S.,
Financial Secretary to the Govt.of Mysore.

Sir,

As requested in your letter No.Fl.3833/S & A.299-15-4 dated the 11th/15th February 1916, I have the honour to forwar herewith a note on all Railway schemes hitherto sanctioned and those that remain to be sanctioned together with a statement o all projects of District Railways under consideration.

I have the honour to be,
Sir,
Your most obedient servant,

K. Krishnaiengar

Offg.Secretary for Railways,
Government of Mysore.

A note on Railway schemes hitherto sanctioned and those that re--main to be sanctioned together with a statement of all projects of District Railways under consideration.

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After the opening of the Birur-Shimoga Railway for traffic in the year 1899, there was practically no railway activity in the State till the year 1912 when the State Railway Construction Department was formed and the construction of the following lines were taken up for consideration.

I. LINES CONSTRUCTED AND OPENED FOR TRAFFIC.

| | Gauge. | Length. Miles. | Estimated cost. Rs. |
|---|---|---|---|
| (a) Bowringpet-Kolar Ry. | 2'-6" | 11 | 4,07,523 |
| (b) Bangalore-Chikballa--pur Light Railway. | 2'-6" | 38.15 | 10,82,908 |
| (c) Tarikere-Narasimha--rajapura Tramway. | 2'-0" | 30 | 3,46,196 |

(a) The first is a District Board line constructed and worked for them by the State. The line was opened for passenger traffic on the 15th December 1913.

(b) The second is the property of the Bangalore-Chikballapur Light Railway

Company. At the request of the Directors of the Company, the construc-tion of the line was undertaken by the State in the year 1913. The line bet--ween Yelahanka and Devanhalli was com--pleted and opened for traffic on the 7th April 1915 while that between -- Devanahalli and Chikballapur on 1st August 1915.

In order to save Capital cost, it is proposed to lay the third rail on the existing track between Yelahanka and Yeswantpur and to have an indepen--dent alignment between Yeswantpur and Bangalore City by widening the existing formation. Arrangements are being made by the Madras and Southern Mahratta Railway Company to complete these works.

(c) The third was constructed from State funds and the line between - - Tarikere and Lakvalli was completed and opened for traffic on 22nd May 1915, and the section between Lakvalli and - - Narasimharajapura is nearing completion.

## II. LINES UNDER CONSTRUCTION.

| | Gauge. | Length. Miles. | Estimated cost. Rs. |
|---|---|---|---|
| (1) Mysore-Arsikere Railway. | 3'-3⅜" | 106.5 | 76,13,831 |

In December 1913, the project was sanctioned by the Government of India

and the line is being constructed from State funds. The construction is in progress and the line is expected to be opened for traffic by the end of 1916.

| | Gauge. | Length. Miles. | Cost. Rs. |
|---|---|---|---|
| (2) Kolar-Chikballa--pur Ry. | 2'-6" | 52.82 | 14,90,384 |

The project was sanctioned by the Government of India in August 1914 and the construction of this line was under--taken by the State. Half the aggregate cost of constructing this line and the Bowringpet-Kolar Railway already open for traffic will be contributed by Government and the other half by the District Board of Kolar. The section between Kolar and Chintamani, a distance of about 29 miles, was opened for traffic from 6th March 1916. The section between Chintamani and Chikballapur is expected to be ready before 30th June 1916.

## III. PROJECTS SANCTIONED BY THE GOVERNMENT OF INDIA BUT CONSTRUCTION NOT YET UNDERTAKEN.

| | Gauge. | Length. Miles. | Cost. Rs. |
|---|---|---|---|
| Chickjajur-Chitaldrug Railway. | 3'-3⅜" | 21.07 | 8,54,082 |

In February 1914, the sanction of the Government of India to this was

received, but the construction work has not been put in hand as the question of financing the line is still under con-sideration.

IV. WOPKS PROPOSED TO BE CONSTRUCTED.

| | Gauge. | Length. Miles. | Cost. Rs. |
|---|---|---|---|
| (1) Bangalore-Hosur Ry. | 2'-6" | 30.69 | 12,72,479 |

The terms for the construction and working of this line by the Durbar are still under correspondence with the Government of India.

| | Gauge. | Length. Miles. | Cost. Rs. |
|---|---|---|---|
| (2) Hassan-Mangalore Railway. | 2'-6" | Mysore (46.97) | 45,35,085 |
| | | British (37.61) | 37,61,218 |

The estimates prepared prior to 1903 by Messrs. Gilchrist and Groves have been revised and brought up to date. The question of taking up this project is held in abeyance for the present.

| | Gauge. | Length in Mysore. | Cost. Rs. |
|---|---|---|---|
| (3) Nanjangud-Erode Ry. | 3'-3⅜" | 37.79 | 20,81,764 |

The question of constructing this line is also allowed to lie over for the present.

(4) Kadur-Chickmagalur-Hassan Railway.

| | Gauge. | Length. | Cost. Rs. |
|---|---|---|---|
| (a) Kadur-Chikmagalur-section. | 3'-3⅜" | 28.33 | 16,59,330 |
| (b) Chick--magalur-Hassan Railway. | 2'-6" | 37.6 | 17,48,125 |

Project reports and estimates have been prepared for these two section Alternative project estimates for 2'-6" and 3'-3⅜" gauges have been prepared in order to avoid break of gauge at Kadur on the existing Railway system and at Hassan when Hassan-Mangalore Railway is constructed. These were submitted to Government for orders and they have directed that the project may be further investigated with a view to avoid - - difficult country.

| | Gauge. | Length. | Cost. Rs. |
|---|---|---|---|
| (5) Shimoga-Sagar-Tirthahalli-Railway. | 2'-6" | 81 | 28,00,000 |

Detailed surveys will be taken up later on.

| | Gauge. | Length. | Cost. |
|---|---|---|---|
| (6) Mysore-Kakankote Tramway. | 2'-0" | 45 | 4,50,000 |

Government have recently sanc--tioned an estimate amounting to Rs.3,400

for the survey of this line.

| | Gauge. | Length. | Cost. |
|---|---|---|---|
| (7) Tumkur-Sira via Bellavi. | 3'-3⅜" | 35 | 12,00,000 |

The President, District Board, Tumkur, submitted a proposal to investi--gate a project for a line of railway between Tumkur, Bellavi, Maddigere, -- Goribidnur and Chickmagalur. As this was circuitous, it was suggested that a line from Tumkur to Sira would be better project and the President asked to ascer--tain the views of the District Board who have agreed to the same. Government, however, consider that the project is not an urgent one and may be held over for the present. The line is, however, included in the triennial programme of Railway operations commencing from 1916-17.

Chickballapur

| | Gauge. | Length. | Cost. Rs. |
|---|---|---|---|
| (8) Bangalore-Kunigal Steam Tramway. | 2'-0" | 43 | 5,40,000 |

This has been proposed by Mr. A. Subba Rao who has been permitted to -- float a Company for the construction and working of the Tramway on certain condi--tions. Plans and estimates for this line were received and they were returned for revision owing to the work having been

under-estimated.

| | Gauge. | Length. | Cost. Rs. |
|---|---|---|---|
| (9) Mysore-Coorg Railway. | 3'-3⅜" | 45 | 18,00,000 |

Preliminary investigation of several alternative lines including -- traffic prospects have been completed and detailed surveys will be taken up later on.

| | Gauge. | Length. | Cost. Rs. |
|---|---|---|---|
| (10) Shimoga-Bhatkal line. | 3'-3⅜" | 90 | 1,00,00,000 |

An estimate amounting to Rs.23,000 for the survey of the above line has been sanctioned by Government and the line is being surveyed now.

| | Gauge. | Length. | Cost. Rs. |
|---|---|---|---|
| (11) Extension of Tarikere-Narasimha--rajapura Tramway to Sringeri. | 2'-0" | 30 | 7,00,000 |

An estimate amounting to Rs. 5,700 for the survey of the above line has been sanctioned by Government.

A tabular statement embodying the information set forth above is -- attached.

A statement showing the --

projects

projects of District Railways under con-
-sideration also accompanies.

Offg. Secretary for Railways,
Government of Mysore.

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Statement showing of Railway projects in the various Districts under the consideration of Government.

| Sl.No. | Lines proposed. | Gauge. | Length. Miles. | Approximate cost. Rs. | Remarks |
|---|---|---|---|---|---|
| | **Bangalore District.** | | | | |
| 1. | Bangalore-Kunigal-Magadi. | 2'-0" | 43 | 5,40,000 | |
| | **Tumkur District.** | | | | |
| 2. | Tumkur to Sira via Bellavi. | 3'-3⅜" | 35 | 12,00,000 | |
| | Sira to Haidagiri. ... | 2'-6" | 23 | 5,75,000 | |
| | Sira to Hiriyur. ... | 2'-6" | 25 | 6,25,000 | |
| | **Chitaldrug District.** | | | | |
| 3. | Chitaldrug to Hiriyur. ... | 3'-6" | 24 | 6,00,000 | |
| | Hiriyur-Chellakere-Royadrug. ... | 2'-6" | 53 | 13,25,000 | |
| | **Shimoga District.** | | | | |
| 4. | Shimoga-Tirthahalli-Sagar. ... | 2'-6" | 81 | 28,00,000 | |
| | Shimoga-Bhatkal. ... | 3'-3⅜" | 90 | 1,00,00,000 | |
| 5. | **Mysore District.** | | | | |
| | Mysore-Kakankote Tramway. | 2'-0" | 45 | 4,50,000 | |
| | Nanjangud-Chamarajanagar. | 3'-3⅜" | 24 | 12,50,000 | |
| | Mysore to Coorg via Saligram. | 3'-3⅜" | 45 | 15,00,000 | |
| 6. | **Hassan District.** | | | | |
| | Chickmagalur-Belur-Hassan. | 2'-6" | 37 | 17,48,135 | |
| | **Kadur District.** | | | | |
| 7. | Kadur-Chickmagalur. | 3'-3⅜" | 28.33 | 16,59,330 | |
| | Narasimharajapura-Sringeri via Koppa. | 2'-0" | 30 | 7,00,000 | |
| | Tadasa-Hebbe Tramway. | 2'-0" | 13 | 2,75,000 | |

H. Thimmaiah

Offg.Secretary for Railways,
Government of Mysore.

Statement showing the Railway operations in the Mysore State.

| No. | Name of Railway. | Gauge. | Length. Miles. | Estimated cost. Rs. | Remarks. |
|---|---|---|---|---|---|
| I. | LINES CONSTRUCTED AND OPENED FOR TRAFFIC. | | | | |
| | (a) Bowringpet-Kolar Railway. | 3'-6" | 11 | 4,07,523 | Is a District Board line. Opened for public traffic on the 15th December 1913. |
| | (b) Bangalore-Chikballapur Light Railway. | 3'-6" | 38.15 | 10,32,908. | This is floated by the Bangalore-Chikballapur Light Railway Company. The section between Yelahanka and Devanhalli was opened for public traffic on 7-4-1915, and that between Devan-halli and Chikballapur on 1-8-1915. The works between Yelahanka and Bangalore City have to be carried out by the Madras and S.M.Ry.Co., who it is understood have start-ed the same. |
| | (c) Tarikere-Narasimha-rajapura Tramway. | 2'-0" | 30 | 3,40,198. | Is a State line. The section between Tari-kere and Lakvalli was opened for traffic on 22-5-1915 and that bet-ween Lakvalli and Narasimharajapura is nearing completion. |
| II. | LINES UNDER CONSTRUCTION. | | | | |
| | (a) Mysore-Arsikere Railway. | 3'-3⅜" | 106.5 | 76,13,831. | Is a State line. Construc-tion is in progress, |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | to be opened for traffic by the end of 1916. |
| | | (b) Kolar-Chikballapur Railway. | 3'-6" | 52.82 | 14,90,384. | Is a District Board line. The section between Kolar and Chintamani (29 miles) was opened for traffic on 6-3-1916, and that between Chintamani and Chikballapur is expected to be ready before June 1916. |
| III. | PROJECTS SANCTIONED BY THE GOVERNMENT OF INDIA BUT CONSTRUCTION NOT YET UNDERTAKEN. | Chickjajur-Chitaldrug Railway. | 3'-3⅜" | 31.07 | 8,54,082 | The question of financing is still under consideration. |
| IV. | WORKS PROPOSED TO BE CONSTRUCTED. | (a) Bangalore-Hosur Ry. | 2'-6" | 30.69 | 13,72,479 | The terms for the construction and working of this line are still under correspondence. |
| | | (b) Hassan-Mangalore Railway. | 3'-6" | Mysore 43.57 British 37.61 | 45,35,033 37,61,318 | The [illegible] to 1903 by Messrs. Gillanders and Groves have been revised and brought up to date. The question of taking up this project is held in abeyance for the present. |
| | | (c) Nanjangud-Erode Railway. | 3'-3⅜" | Mysore Limits. 37.79 | 20,81,764. | The question of constructing this line is also allowed to lie over for the present. |

| No. | Details. | Name of Railway. | Gauge. | Length Miles. | Estimated cost. Rs. | Remarks. |
|---|---|---|---|---|---|---|
| IV. | WORKS PROPOSED TO BE CONSTRUCTED. | (c) Kadur-Chickmagalur-Hassan Railway. | | | | |
| | | i. Kadur-Chickmagalur. | 3'-3 3/8" | 38.33 | 16,59,330 | Project reports and estimates have been prepared for these two sections and were submitted to Government for orders. They have directed that the project may be further investigated with a view to avoid difficult country. |
| | | ii. Chickmagalur-Hassan. | 2'-6" | 37.6 | 17,48,185 | |
| | | (d) Shimoga-Sagar-Tirthahalli Railway. | 2'-6" | 80.00 | 28,00,000 | Detailed surveys will be taken up later on. |
| | | (e) Mysore-Kakankote Tramway. | 2'-0" | 45.00 | 4,50,000 | Government have recently sanctioned an estimate amounting to Rs.3,400 for the survey of this line. |
| | | (f) Tumkur-Sira via Bellavi. | 3'-3 3/8" | 35.00 | 12,00,000 | Government consider that the project is not an urgent one and may be held over for the present. The line is however included in the Triennial programme commencing from 1916-17. |
| | | (g) Bangalore-Kunigal Tramway. | 2'-0" | 43.00 | 5,40,000 | Plans and estimates for this line were received from the Mysore Steam Tramway Compan |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | and they were returned for revision owing to the works having been under-estimated. |
| | | (h) Mysore-Coorg Railway. | 3'-3⅜" | 45.00 | 18,00,000 | Preliminary investigations of several alternative lines including traffic prospects have been completed and detailed surveys will be taken up later on. |
| | | (i) Shimoga-Shottkal line. | 3'-3⅜" | 90.00 | 1,00,00,000 | An estimate amounting to Rs.23,000 for the survey of this ~~above~~ line has been sanctioned by Government and the line is being surveyed now. |
| | | (j) Extension of the Tarikere-Narasimhara-japura Tramway to Sringeri. | 2'-0" | 30.00 | 7,00,000 | An estimate amounting to Rs.5,700 for the survey of this line has been sanc-tioned by Government. |

Offg.Secretary for Railways,
Government of Mysore.